



# Clean Community Fee Cost of Service Analysis

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Austin Resource Recovery Department

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# Austin Resource Recovery Clean Community Fee<sup>\*</sup> Cost of Service Analysis Table of Contents

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<sup>\*</sup> Formerly Anti-Litter Fee

## Summary

The purpose of this analysis is to conduct a projected, full cost analysis of services supported by the Clean Community Fee (CCF) (Anti-litter fee) revenue for Fiscal Year (FY) 2012-13 (October 2012 – September 2013). Revenues generated through this fee support various programs within both the Code Compliance Department (CCD) and Austin Resource Recovery (ARR) Department. This analysis represents the ARR component of the Clean Community services.

CCD and ARR are in the process of re-naming the Anti-Litter Fee to “Clean Community Fee” (CCF). Renaming of the fee will provide a more transparent description to the community of the goal and value of programs supported by revenues collected. An additional step that is being taken is the separation of the fee between the two departments such that each has their own fee revenue funding. The FY 2011-12 Approved fee for residential customers is \$5.00 per month. ARR’s portion of the FY 2011-12 Approved residential fee is \$3.00 and CCD’s portion is \$2.00.

The fee assessed is based upon the total costs of programs administered provided by both departments to the community. Clean community services include litter and nuisance abatement, street cleaning, services provided by the City under article 5 of the Universal Recycling Ordinance and household hazardous waste disposal. The CCF is assessed to both residential and commercial utility customers on a monthly basis.

The intent of the City is to annually re-evaluate programs and services provided by both the CCD and ARR for their effectiveness and cost recovery status. In addition, identification of any new programs which meet the goals of this fee will be incorporated into this analysis and impact on rates and fee structure evaluated.

In summary, the analysis indicates that in FY 2012-13, the projected revenues for the FY 2011-12 Approved fee do not meet the proposed expenditures of ARR programs and services. A proposed alternative to the current fee structure is presented to ensure the costs of delivering ARR services are provided on a revenue neutral basis.

## Methodology

This cost of service analysis is based on the FY 2012-13 ARR projected costs. Four cost factors were considered based ARR's expenditures to account for all costs. Each of the cost factors addresses additional expenses to the City that are a direct result of providing Clean Community services. The four basic cost factors considered are:

- 1) Salary and benefit costs
- 2) Direct costs
- 3) Internal indirect costs
- 4) External indirect costs

These factors are described in the table below:

Table 1: Cost Factor Descriptions

Cost Factor	Description
Salary and Benefits	Employee salary, benefits, and taxes (FICA, health, pension, etc.)
Direct Costs	Contracts, Supplies and Materials
Internal Indirect	Costs associated with administering the department
External Indirect	Central City-wide services such as Finance and Budget

The sum total of the four cost factors represents the total cost of providing Clean Community Services. The cost factors applied to this analysis are represented ARR's FY 2012-13 forecasted budget.

This total of the four cost factors was utilized to determine the appropriate fees and rates to be charged monthly to the Clean Community customers. Once cost was established, a projection was created to estimate the number of customers expected to fall within the Clean Community service area in FY 2012-13. The projected customer count was then utilized to project revenue to be collected based on the current (FY 2011-12) approved rates. An analysis of the total projected cost and revenues was completed and identified a shortfall in the revenue to cover the total expenses of the program. The analysis indicates that a new rate structure or rate adjustment is necessary to ensure that the total costs are covered.

## Cost of Service Analysis

This cost of service analysis is based on the FY 2012-13 forecasted Budget. Four cost factors were considered based on the CCF services expenditures to account for all costs: salary and benefits, direct, internal indirect and external indirect. Tables 2 (a) – 2(d) below provide a summary of information for each cost factor.

### **Cost Factor 1: Salary and Benefits**

The direct labor costs for each employee providing CCD Clean Community services were used to determine the total for the first cost factor. These costs include salary and benefits provided by the City to all employees. Values listed in the table below are both current full time equivalent (FTE) positions and new FTE positions requested for FY 2012-13. All FTE costs listed below will be funded through the FY 2012-13 proposed Code Compliance budget.

Table 2 (a): FY 2012-13 Projected Total Salary and Benefits Costs

	Salary	Benefits
Austin Resource Recovery Department		
Bulk Collection (40% of unit cost)	\$400,544	\$199,861
Street Sweeping	\$662,214	\$319,685
Litter Abatement	\$1,014,522	\$501,919
Recycling Center	\$-	\$-
Household Hazardous Waste	\$481,123	\$221,097
Business Outreach	\$641,205	\$251,956
Resource Recovery Center	\$165,011	\$79,578
Austin Reuse Center	\$-	\$-
Zero Waste Program Development	\$292,756	\$112,132
Clean Austin	\$279,913	\$129,303
Dead Animal Collection	\$136,351	\$63,074
Boulevard Sweeping	\$223,814	\$105,528
Subtotal	\$4,297,453	\$1,984,133
<b>Total Salary and Benefits Costs</b>		<b>\$6,281,586</b>

### **Cost Factor 2: Direct Costs**

ARR will have other direct costs in addition to the salary and benefits described above and they represent items necessary for ARR to provide Clean Community services. Costs for contracts, supplies, equipment, vehicle fuel and maintenance, etc. are included in this section.

All of the costs listed below will be funded through the FY 2012-13 proposed ARR budget.

Table 2 (b): FY 2012-13 Projected Direct Costs

Category	Amount
Austin Resource Recovery Department	
Commodities (hardware, tools, equipment, uniforms, etc.)	\$395,916
Contractuals (fuel/maintenance, rentals, services, communications, printing, etc.)	\$5,776,003
<b>Total Direct Costs</b>	<b>\$6,171,919</b>

### **Cost Factor 3: Internal Indirect Costs**

The ARR services included in the Clean Community Program will have internal indirect costs in addition to the other costs listed. Internal indirect costs are related to administrative support provided by the ARR department for Human Resources (HR), Safety, Quality Control, Information Technology (IT) support, etc. These costs are detailed below in table 2 (c).

Table 2 (c): FY 2012-13 Projected Internal Indirect Costs

	Amount
Austin Resource Recovery Department	
Finance	\$424,189
Safety, Quality Control, Human Resources, Facilities, etc.	\$966,993
Support Services (IT, Public Information, Administration, etc.)	\$1,355,500
<b>Total Internal Indirect Costs</b>	<b>\$2,746,681</b>

### **Cost Factor 4: External Indirect Costs**

The ARR portion of the Clean Community Program will incur external indirect costs in addition to the other costs listed. External indirect costs include those expenses that are provided on a City-wide level by various other City departments outside of CCD and

ARR (Central Purchasing, the 3-1-1 Call Center, the City Manager's office staff, etc.). All of the costs listed in Table 2 (d) are funded in the FY 2012-13 projected ARR budget, but are not included at this time in ARR the Clean Community cost of service. As the Clean Community Program is expanded, these costs will need to be covered in the future.

Table 2 (d): FY 2012-13 Projected External Indirect Costs

Amount	
Austin Resource Recovery Department	
CIS Billing System and CTM	\$447,534
Citywide Admin Support	\$600,666
311 System	\$950,153
Worker's Compensation	\$117,492
Other Requirements	\$984,797
<b>Total External Indirect Costs</b>	<b>\$3,010,642</b>

### **Total Cost for Clean Community Program Services**

A summation of the four cost factors provides the cost of service. The total of all costs applicable to ARR's Clean Community services is \$12,493,000. The total of the four cost factors is detailed in table 3 below.

Table 3: Total FY 2012-13 Projected Cost for Clean Community Program

Amount	
Austin Resource Recovery Department	
Salary and Benefits Cost	\$6,281,586
Direct Cost	\$6,171,919
Internal Indirect Cost	\$2,746,681
External Indirect Cost <sup>†</sup>	\$3,010,642
Total ARR Clean Community Program Costs	\$18,210,828
<b>Total ARR Clean Community Program Costs (excluding External Indirect Cost)</b>	<b>\$15,200,186</b>

### **Revenue Projections for the Clean Community Program**

Projecting the expected revenue of the Clean Community Program is necessary to determine if our current rate structure/level is sufficient to cover all costs of the Clean Community Program. In order to project the revenue, Finance utilized current and prior fiscal year data regarding the number of Clean Community customers. Finance estimated the number of additional customers that will receive Clean Community

<sup>†</sup> External indirect costs are being excluded from the total cost of service

services in FY 2012-13 by utilizing published City growth projection percentages as well as known annexation details for the next year. The monthly rate was multiplied by the number of projected FY 2012-13 customers and then multiplied by 12 to attain annual revenue. The FY 2012-13 revenue projections are detailed in Table 4 below.

**Table 4: FY 2012-13 ARR Clean Community Services Revenue Projections based on FY 2011-12 rate structure**

Category	Current FY 2012 Approved Monthly Fee	FY 2013 Projected Monthly Customers	FY 2013 Projected Annual Revenue based on FY2012 Approved rates
Residential Customer	\$3.00	345,608	\$12,441,876
Commercial Customer	\$4.50	24,193	\$1,306,434
CBD Alley Fee	\$17.00	400	\$81,600
Total Projected Annual Revenue			\$13,829,910

### **Projected Revenue and Expense Comparison**

The projected fiscal year 2012-13 expenses for the ARR Clean Community Program are \$15,200,186 and the projected FY 2012-13 revenues based on the FY 2011-12 fee are \$13,829,910 which results in a shortfall of \$1,370,276. This shortfall must be covered by the fee charged to the Clean Community customers and therefore an increased fee will be recommended. The proposed FY 2012-13 fee is detailed in table 5 below:

**Table 5: FY 2013 ARR Clean Community Fee Proposal**

Category	Proposed FY 2013 Monthly Fee	FY 2013 Projected Customers	FY 2013 Projected Annual Revenue based on FY2013 Proposed rates
Residential Customer	\$3.40	345,608	\$13,962,549
Commercial Customer	\$6.80	24,193	\$1,918,523
CBD Alley Fee	\$17.00	400	\$81,600
Total Projected Revenue			\$15,981,458

The proposed 2012-13 fee will result in a total revenue of \$15,981,458 which will cover the overall Clean Community expenses of \$15,200,186 (excluding "external indirect cost").

### **Conclusion**

An increase in the Clean Community fee in FY 2012-13 as proposed will bring the revenue and expenses in balance in FY 2012-13.

A new cost of service analysis will be performed in one year to determine the necessity for additional Clean Community fee adjustments.